

**Bastrop County  
Emergency Services District No. 2  
Financial Statements  
September 30, 2023**

Bastrop County Emergency Services District No. 2  
For the year ending September 30, 2023

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Bastrop County Emergency Services District No. 2

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bastrop County Emergency Services District No. 2 as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bastrop County Emergency Services District No. 2, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bastrop County Emergency Services District No. 2, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bastrop County Emergency Services District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bastrop County Emergency Services District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of employer contributions on pages 3-8 and 29-32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Medack & Oltmann, LLP  
Giddings, Texas  
January 2, 2024



## **BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

POST OFFICE BOX 1747 • BASTROP • TEXAS • 78602

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This is the discussion and analysis of the Bastrop County Emergency Services District Number 2 for the year ending September 30, 2023. This year is the fourteenth year of full operations.

Citizens and taxpayers want a clear picture of the financial health of their governments, which include Emergency Services Districts. They also want to know how their tax dollars were spent and how much it costs to provide major services such as firefighting, fire prevention and rescue services. The concept of financial accountability of elected or appointed officials is reflected in the standards adopted by the Governmental Accounting Standards Board (GASB) for annual financial reporting.

This Management Discussion and Analysis (MD&A) is composed with the GASB concepts in mind. Please read it in conjunction with the District's financial statements, which follow this section.

#### **Financial Highlights**

- *The District's total net position for the fiscal year was \$7,953,150.*
- *Change in net position from current operations was an increase of \$1,247,729. This resulted in cash reserves of \$2,156,874 at the end of the fiscal year.*

#### **Using This Annual Report**

This annual report consists of two financial statements. GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. These combined statements appear on pages 9 and 10. The first column is the only Governmental Fund, the General Fund. The second column is an adjustments column, reconciling the amounts reported in the governmental funds to show how each would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

#### **Reporting the District as a Whole**

The Statement of Net Position and the Statement of Activities present information about the District as a whole. These statements (as reported in the last column of each of the statements) include all of the District's assets and liabilities, utilizing the accrual basis of accounting which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two columns report the District's net position and changes in them. The difference between assets and liabilities, net position, are one way to measure the District's financial health. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other non-financial factors such as changes in the District's property tax base must also be considered in an assessment of the overall financial health of the District.

The statement of activities, also included on page 10, presents information showing how the District's net position changed during the most recent twelve-month period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

### **Reporting the District's Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District may establish other funds to help in control and manage money for particular purposes or to show that it is meeting its legal responsibilities for using certain taxes, grants, and other money. These funds are reported using an accounting method called the Modified Accrual accounting which measures cash and all other financial assets that can be readily converted to cash.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare that information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The District only reports using one fund that being the General Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## The District as a Whole

Governmental activities increased the Department's net position by \$1,247,729. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the Department's governmental activities.

**Table 1**  
**Governmental Activities**  
**Net Position**

	<b>9/30/2023</b>	<b>9/30/2022</b>
<b>Assets:</b>		
Current Assets	\$ 2,606,197	\$ 1,502,990
Capital Assets	6,041,106	5,947,939
Total Assets	<u>\$ 8,647,303</u>	<u>\$ 7,450,929</u>
<b>Deferred Outflows of Resources</b>	\$ 182,272	\$ 106,621
<b>Liabilities</b>		
Current Liabilities	\$ 249,072	\$ 159,325
Long Term Liabilities	602,936	634,312
Total Liabilities	<u>\$ 852,008</u>	<u>\$ 793,637</u>
<b>Deferred Inflows of Resources</b>	\$ 24,417	\$ 58,492
<b>Net Position:</b>		
Net Investment in Capital Assets	\$ 5,458,322	\$ 5,276,146
Unrestricted	2,494,828	1,429,275
Restricted	-	-
Total Net Position	<u>\$ 7,953,150</u>	<u>\$ 6,705,421</u>

**Table 2**  
**Changes in Net Position**

	9/30/2023	9/30/2022
<b>Revenues:</b>		
Ad Valorem Taxes	\$ 2,312,959	\$ 1,781,110
Penalty & Interest Taxes	40,084	35,876
Sales Tax	1,554,849	-
Grants & Donations	69,544	19,960
Fire Rescue	11,418	3,938
Interest	96,340	14,921
Miscellaneous	2,684	5,125
Total Revenues	<u>\$ 4,087,878</u>	<u>\$ 1,860,930</u>
<b>Expenses:</b>		
Tax Collector/Appraisal District Fees	\$92,800	\$86,946
Insurance & Bonds	37,774	35,983
Professional Services	30,636	39,271
Fire Fighter Wellness Program	8,817	3,598
Miscellaneous	4,720	19,373
Communications	14,828	14,437
Utilities	23,311	20,118
Accounting/Bookkeeping	47,799	30,050
Dues, Subscriptions and Publications	56,501	32,228
Maintenance and Repairs	275,777	146,261
Supplies	244,358	135,376
Salaries and Related Benefits	1,410,383	1,062,092
Travel & Training	38,225	22,989
Uniforms	17,792	7,446
Pension - Volunteers	1,296	1,548
Depreciation	510,381	460,014
Interest Expense	16,767	18,937
Total Expense	<u>\$ 2,832,165</u>	<u>\$ 2,136,667</u>
<b>Gain (Loss) from Disposal of Assets</b>	<u>(7,984)</u>	<u>(7,458)</u>
Changes In Net Position:	1,247,729	(283,195)
Net Position-Beginning	<u>\$ 6,705,421</u>	<u>\$ 6,988,616</u>
Net Position- Ending	<u>\$ 7,953,150</u>	<u>\$ 6,705,421</u>



## Capital Asset and Debt Administration

### Capital Assets:

At the end of the fiscal year September 30, 2023, capital assets are as follows:

	Balance 09/30/2022	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2023
Governmental Activities:				
Capital assets not being depreciated:				
Land	302,274	-	-	302,274
Total capital assets not being depreciated	302,274	-	-	302,274
Capital assets, being depreciated				
Vehicles	2,891,241	345,194	-	3,236,435
Equipment	732,185	238,338	-	970,523
Buildings and Structures	4,398,464	28,000	(13,400)	4,413,064
Total capital assets being depreciated	8,021,890	611,532	(13,400)	8,620,022
Total capital assets	8,324,164	611,532	(13,400)	8,922,296
Less accumulated depreciation for:				
Vehicles	(1,368,739)	(284,668)	-	(1,653,407)
Equipment	(387,848)	(98,061)	-	(485,909)
Buildings and Structures	(619,638)	(127,652)	5,416	(741,874)
Total accumulated depreciation, as restated	(2,376,225)	(510,381)	5,416	(2,881,190)
Total capital assets, being depreciated, net	5,645,665	101,151	(7,984)	5,738,832
Governmental activities capital assets, net	5,947,939	101,151	(7,984)	6,041,106

Depreciation expense charged to the general fund was \$510,381.

More detailed information about the District's Capital Assets is presented in Note 4 of the financial statements.

### Debt:

The District has one financed purchase agreement with Classic Bank for \$926,006 with an interest rate of 2.5% for the purchase of fire apparatus, maturing September 2029.

The fire apparatus are pledged as collateral for the outstanding debt. More detailed information about the District's Debt is presented in Note 5 of the financial statements.

### Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the year ending September 30, 2023, the District's total fund balance was \$2,259,165.

## **Budgetary Highlights**

The Department's annual budget includes estimated revenues and expenditures. The annual budget is a line-item document that allows the Board of Commissioners a high degree of control over Department expenditures.

During the year, the board amended the original budget, while overall revenues did not change, overall expenditures increased by \$119,293.

The Department's 2023 budget resulted in actual expenditures less than the final budget amounts by \$149,010, while revenues were more than the budgeted amounts by \$1,196,240, mainly due to money received from sales tax collections.

## **Economic Factors and Next Year's Budgets and Rates**

The district hired three additional firefighters in October 2022 bringing the total to 15 full-time firefighters. The district has five firefighters per 48-hour shift covering 24/7/365. The district has three firefighters at the Highway 95 fire station and two at the FM 1441 station. The district also has 20 volunteer firefighters. The district hired a full-time Battalion Chief.

As of December 15, 2023, the district closed on the purchase of Fire Station #2 from the City of Bastrop in the amount of \$550,000.00. The purchase was initially made in the form of a cashier's check and then reimbursed back to the district by obtaining financing for the purchase and remodel of Station 2.

The district purchased a commercial chipper for \$98,000. The district held two brush chipping events for its residents, resulting in the removal of 100 cubic yards of mulched brush from within the district.

The district received several grants resulting in purchases of 2 Lucas devices, PPE, and a cargo trailer.

## **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Bastrop County ESD No. 2  
Attn: Treasurer  
P.O. Box 1747  
Bastrop, Texas, 78602

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
GOVERNMENTAL FUNDS BALANCE SHEET AND  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Adjustments (Note 8)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 2,156,874	\$ -	\$ 2,156,874
Property Taxes Receivable	189,410	-	189,410
Sales Tax Receivable	250,698	-	250,698
Prepaid Expenses	9,215	-	9,215
Capital Assets (net of accumulated depreciation)	-	6,041,106	6,041,106
TOTAL ASSETS	<u>\$ 2,606,197</u>	<u>\$ 6,041,106</u>	<u>\$ 8,647,303</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Amounts		\$ 182,272	\$ 182,272
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>\$ 182,272</u>	<u>\$ 182,272</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 107,388	\$ -	\$ 107,388
Payroll Liabilities	11,164	-	11,164
Accrued Wages	39,070	-	39,070
Accrued Interest	-	215	215
Long Term Liabilities - Due within one year	-	91,235	91,235
Long Term Liabilities - Due after one year	-	602,936	602,936
TOTAL LIABILITIES	<u>\$ 157,622</u>	<u>\$ 694,386</u>	<u>\$ 852,008</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 189,410	\$ (189,410)	\$ -
Deferred Pension Amounts	-	24,417	24,417
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 189,410</u>	<u>\$ (164,993)</u>	<u>\$ 24,417</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund balances:			
Nonspendable	9,215	(9,215)	
Restricted	-	-	
Committed	-	-	
Assigned	-	-	
Unassigned	2,249,950	(2,249,950)	
Total fund balances	<u>2,259,165</u>	<u>(2,259,165)</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,606,197</u>		
Net Position:			
Unrestricted		2,494,828	2,494,828
Restricted		-	-
Net investment in capital assets		5,458,322	5,458,322
Total Net Position		<u>\$ 7,953,150</u>	<u>\$ 7,953,150</u>

See Accompanying Notes to the Financial Statements

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

	General Fund	Adjustments (Note 8)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Tax Collector/Appraisal District Fees	\$ 92,800	\$ -	\$ 92,800
Insurance & Bonds	37,774	-	37,774
Professional Services	30,636	-	30,636
Fire Fighter Wellness Program	8,817	-	8,817
Miscellaneous	4,720	-	4,720
Communications	14,828	-	14,828
Utilities	23,311	-	23,311
Accounting/Bookkeeping	47,799	-	47,799
Dues, Subscriptions and Publications	56,501	-	56,501
Maintenance and Repairs	275,777	-	275,777
Supplies	244,358	-	244,358
Salaries and Related Benefits	1,436,555	(26,172)	1,410,383
Travel & Training	38,225	-	38,225
Uniforms	17,792	-	17,792
Pension - Volunteers	1,296	-	1,296
Capital Outlay	611,532	(611,532)	-
Depreciation		510,381	510,381
Debt service:			
Principal	89,009	(89,009)	-
Interest	16,795	(28)	16,767
 Total expenditures/expenses	<u>\$ 3,048,525</u>	<u>\$ (216,360)</u>	<u>\$ 2,832,165</u>
 <b>PROGRAM REVENUES</b>			
Grants and Contributions	\$ 69,544	\$ -	\$ 69,544
Total Program Revenues	<u>\$ 69,544</u>	<u>\$ -</u>	<u>\$ 69,544</u>
 Net Program Expense			 2,762,621
 <b>GENERAL REVENUES</b>			
Ad valorem taxes	\$ 2,258,251	\$ 54,708	\$ 2,312,959
Penalties and Interest	40,084	-	40,084
Sales Tax	1,554,849	-	1,554,849
Fire Rescue	11,418	-	11,418
Interest Income	96,340	-	96,340
Miscellaneous	2,684	-	2,684
Total general revenues	<u>\$ 3,963,626</u>	<u>\$ 54,708</u>	<u>\$ 4,018,334</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>\$ 984,645</u>	 <u>\$ (984,645)</u>	 <u>\$ -</u>
 <b>OTHER FINANCING SOURCES</b>			
Gain/(Loss) from Sale/Disposal of Assets	\$ -	\$ (7,984)	\$ (7,984)
Total Other Financing Sources	<u>\$ -</u>	<u>\$ (7,984)</u>	<u>\$ (7,984)</u>
 Excess (Deficiency) of Revenues and Other Sources Over Expenditures	 <u>\$ 984,645</u>	 <u>\$ (984,645)</u>	
 Change in net position	 -	 1,247,729	 1,247,729
 Fund Balance/Net Position			
Beginning of the year	<u>1,274,520</u>	<u>5,430,901</u>	<u>6,705,421</u>
End of the year	<u>\$ 2,259,165</u>	<u>\$ 5,693,985</u>	<u>\$ 7,953,150</u>

See Accompanying Notes to the Financial Statements

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

REPORTING ENTITY

The Bastrop County Emergency Services District No. 2 (the District) was created by Article III, Section 48-e of the Constitution of Texas as proposed by SJR, No. 27, Acts of the 70<sup>th</sup> Legislature, Regular Session 1987, and adopted by the voters at an election held November 6, 2007, to protect life and property from fire and to conserve natural and human resources.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units appear to exist.

BASIS OF PRESENTATION

*Basic Financial Statements*

GASB sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or governmental and enterprise combined. Due to the fund structure of the District, all funds have been classified as major funds. As a part of this Statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.) The District does not own any infrastructure assets and therefore is unaffected by this requirement.

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The reporting model focus is on either the District as a whole or major individual funds (within the fund financial statements). In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The District does not have any business-type or fiduciary activities.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. However, the District does not have any program revenues for this fiscal period.

The net cost by function is normally covered by general revenues (intergovernmental revenues, interest income, etc). Historically, the previous model did not summarize or present net cost by function or activity. The District does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan.

GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the general fund in the first column. The next column is an adjustments column. It reconciles the amounts reported in the governmental funds to show how each would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

*Fund Accounting*

Fund financial statement of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The District reports the following major governmental fund-

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District did not consider all revenues as available if they are collected within 60 days after year-end and therefore collections were not booked. Expenditures are recorded when the related fund liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

BUDGET

The District follows these procedures in establishing the budget reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is prepared in accordance with the basis of accounting utilized by that fund.
2. Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of a motion in a public meeting.
3. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. All annual appropriations lapse at fiscal year-end.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District' acquisition of net position applicable to a future reporting period.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

#### CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

#### AD VALOREM PROPERTY TAXES

Delinquent taxes are prorated based on rated adopted for the year of the levy. Allowances for uncollectibles within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. There were no allowance for uncollectible property taxes as of September 30, 2023.

#### PREPAID ITEMS

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

#### CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

#### *Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The capitalization policy, i.e., the dollar value above which asset acquisitions are added to capital accounts, is \$5,000.



BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The range of estimated useful lives by type of asset is as follows:

Buildings and Structures	40 years
Vehicles	7-20 years
Other Equipment	10-20 years

The District does not own any infrastructure assets, or any leases required to be reported under GASB 87.

*Fund Financial Statements*

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

EQUITY CLASSIFICATIONS

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other government; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable or spendable with spendable being further classified into restricted, committed, assigned or unassigned.

COMPENSATED ABSENCES

The District’s policies regarding vacation time permit employees to accumulate earned but unused vacation leave. As of the year end, the liability for accrued vacation reflects that time earned by the employees in the current year and any allowable carryover from prior periods. As of September 30, 2023, \$50,492 was accrued as a payable for paid leave.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by Texas County & District Retirement System (TCDRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ELIMINATIONS

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items on the purchase method. Prepaid items are recorded as expenditures when purchased rather than when consumed. Prepaid items are equally offset by a fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases its insurance from regular commercial companies. As of September 30, 2023, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

USE OF ESTIMATES

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of GASB 96 did not have a material impact on the District's financial statements, the adoption did not result in a restatement of previously reported fund balance for the year ended September 30, 2023.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Management is evaluating the effects that the full implementation of GASB Statement No. 101 will have on its financial statements for the year ended September 30, 2025.

NOTE 2: CASH

Deposits were with a contracted depository bank, First National Bank of Bastrop. As of year-end, deposits exceed FDIC coverage by \$1,906,874 in the aggregate of demand and time deposits. However, securities were pledged to cover this excess (Category 2) with a market value of \$2,222,884. At September 30, 2023, the carrying amount of the District's deposits was \$2,156,874 and the bank balance was \$2,154,196.

The collateral pledged is represented by specific identifiable investment securities and classified as to credit risk by the three categories described below:

- Category 1 - Insured by FDIC or collateralized with securities held by the District or by its agent in its name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Uncollateralized.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 3: PROPERTY TAXES

The District uses the Bastrop County Tax Assessor Collector to bill and collect its property tax. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. An enforceable lien is attached to the property as of January 1. The assessed value of the roll as of January 1, 2022, upon which the 2022 levy was based, was \$2,709,232,573, as certified by the Bastrop County Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. The total 2022 levy was \$2,243,749 and the tax rate was \$0.085 per \$100 assessed valuation for 2022. Property taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2023, was as follows:

	Balance 09/30/2022	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2023
Governmental Activities:				
Capital assets not being depreciated:				
Land	302,274	-	-	302,274
Total capital assets not being depreciated	302,274	-	-	302,274
Capital assets, being depreciated				
Vehicles	2,891,241	345,194	-	3,236,435
Equipment	732,185	238,338	-	970,523
Buildings and Structures	4,398,464	28,000	(13,400)	4,413,064
Total capital assets being depreciated	8,021,890	611,532	(13,400)	8,620,022
Total capital assets	8,324,164	611,532	(13,400)	8,922,296
Less accumulated depreciation for:				
Vehicles	(1,368,739)	(284,668)	-	(1,653,407)
Equipment	(387,848)	(98,061)	-	(485,909)
Buildings and Structures	(619,638)	(127,652)	5,416	(741,874)
Total accumulated depreciation, as restated	(2,376,225)	(510,381)	5,416	(2,881,190)
Total capital assets, being depreciated, net	5,645,665	101,151	(7,984)	5,738,832
Governmental activities capital assets, net	5,947,939	101,151	(7,984)	6,041,106

Depreciation expense charged to the government wide statements was \$510,381.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 5: LONG-TERM LIABILITIES

The District has one financed purchase agreement with Classic Bank for \$926,006 with an interest rate of 2.5% for the purchase of fire apparatus, maturing September 2029.

Transactions for the year ended September 30, 2023, are summarized as follows:

	Balance 9/30/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
<u>Governmental Activities:</u>					
Financed Purchases	\$ 671,793	\$ -	\$ 89,009	\$ 582,784	\$ 91,235
Total Financed Purchases	671,793	-	89,009	582,784	91,235
Pension Liability	-	60,895	-	60,895	-
Compensated Leave Liability	51,528	-	1,036	50,492	-
Total	<u>\$ 723,321</u>	<u>\$ 60,895</u>	<u>\$ 90,045</u>	<u>\$ 694,171</u>	<u>\$ 91,235</u>

NOTE 5: LONG-TERM LIABILITIES – continued

The annual aggregate maturities for years subsequent to September 30, 2023, are as follows:

September 30	Principal	Interest	Total
2024	91,235	14,569	105,804
2025	93,516	12,288	105,804
2026	95,853	9,951	105,804
2027	98,250	7,554	105,804
2028	100,706	5,098	105,804
2029-2033	103,224	2,581	105,805
	<u>582,784</u>	<u>52,041</u>	<u>634,825</u>

NOTE 6: PENSION PLAN

*Plan Description.* Bastrop County Emergency Services District #2 participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

a. A brief description of benefit terms:

- 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability, and survivor benefits.
- 3) TCDRS is a savings-based plan. For the district's plan, 6% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 250%) and is then converted to an annuity.
- 4) There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 6: PENSION PLAN – continued

- 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- b. Membership information is shown in the chart below.
- c. The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Bastrop County Emergency Services District #2 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 6%. Contributions to the pension plan from the district for 2022 are shown in the Schedule of Employer Contributions.

Membership Information

Members	Dec. 31, 2021	Dec. 31, 2022
Number of inactive employees entitled to but not yet receiving benefits:	5	8
Number of active employees:	13	16
Average monthly salary:	\$4,446	\$4,789
Average age:	30.46	30.81
Average length of service in years:	3.39	3.37
<b>Inactive Employees (or their Beneficiaries) Receiving Benefits</b>		
Number of benefit recipients:	0	0
Average monthly benefit:	\$0	\$0

Net Pension Liability

The District's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.5%

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 6: PENSION PLAN – continued

Salary Increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.7% per year for a career employee.
Investment Rate of Return	7.60%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Bastrop County Emergency Services District #2 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Deferred members are assumed to retire (100% probability) at the later of: a) age 60 b) earliest retirement eligibility. <i>(For all eligible members ages 75 and later, retirement is assumed to occur immediately.)</i>
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.

Mortality

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries, and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon.

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 6: PENSION PLAN – continued

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return <sup>(2)</sup>
US Equities	Dow Jones US Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities – Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.95%
Int'l Equities – Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(3)</sup>	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index +33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(5)</sup>	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%

(1) Target asset allocation adopted at the March 2023 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Net Pension Liability / (Asset)	December 31, 2021	December 31, 2022
Total pension liability	\$324,399	\$525,169
Fiduciary net position	348,095	464,274
Net pension liability/(asset)	(23,695)	60,895
Fiduciary net position as a % of total pension liability	107.30%	88.40%
Pensionable covered payroll <sup>(1)</sup>	\$621,861	\$832,043
Net pension liability as a % of covered payroll	(3.81)%	7.32%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Note: Rounding differences may exist above or in other tables in this report.

(1) Payroll is calculated based on contributions as reported to TCDRS.



BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 6: PENSION PLAN – continued

Discount Rate

Discount rate <sup>(2)</sup>	7.60%	7.60%
Long-term expected rate of return, net of investment expense <sup>(2)</sup>	7.60%	7.60%
Municipal bond rate <sup>(3)</sup>	Does not apply	Does not apply

*(2) This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.*

*(3) The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.*

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability/(Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balances as of December 31, 2021	\$324,399	\$348,095	\$(23,695)
<i>Changes for the year:</i>			
Service cost	85,046		85,046
Interest on total pension liability <sup>(1)</sup>	31,118		31,118
Effect of plan changes <sup>(2)</sup>	58,201		58,201
Effect of economic/demographic gains or losses	26,405		26,405
Effect of assumptions changes or inputs	0		0
Refund of contributions	0	0	0
Benefit payments	0	0	0
Administrative expenses		(272)	(272)
Member contributions		49,923	49,923
Net investment income		(31,439)	(31,439)
Employer contributions		79,461	79,461
Other <sup>(3)</sup>	0	18,507	18,507
Balances as of December 31, 2022	\$525,169	\$464,274	\$60,895

*(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*

*(2) Reflects plan changes adopted effective in 2023.*

*(3) Relates to allocation of system-wide items.*

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 6: PENSION PLAN – continued

Sensitivity Analysis

The following presents the net pension liability of the district, calculated using the discount rate of 7.60%, as well as what the ESD net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$662,215	\$525,169	\$418,415
Fiduciary Net Position	464,274	464,274	464,274
Net pension liability/(asset)	\$197,941	\$60,895	\$(45,859)

As of September 30, 2023, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$23,972	\$44,079
Changes of assumption	445	25,992
Net difference between projected and actual earnings	0	26,901
Contributions made subsequent to measurement date	N/A	85,300
Totals	\$24,417	\$182,272

The \$85,300 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. The remaining amounts currently reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30:	
2023	\$6,047
2024	7,265
2025	7,376
2026	14,837
2027	2,156
Thereafter <sup>(1)</sup>	34,874

<sup>(1)</sup>Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 6: PENSION PLAN – continued

Payable to the Pension Plan

At September 30, 2023, the District reported a payable of \$13,599 for the outstanding amount of employer and employee contributions to the pension plan required for the year ended September 30, 2023.

The District also has established a plan for the volunteers. Under this plan the District will contribute \$36 per volunteer per month. Volunteers must meet certain guidelines in order to be eligible. Volunteers begin partial vesting after 10 years of service and are fully vested after 15 years of service. The plan is administered by the Texas Emergency Services Retirement System. For the year ending September 30, 2023, the District contributed \$1,296 towards the volunteers' retirement program. Financial statements for the pension plan may be obtained from the Fire Fighter's Pension Commission, P.O. Box 12577, Austin, Texas 78701.

NOTE 7: FUND BALANCE CLASSIFICATION

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below:

Non-spendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as non-spendable, restricted, or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 9.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 7: FUND BALANCE CLASSIFICATION – continued

The Health & Safety Code has established that the Board of Commissioners as being the highest official body authorized to assign fund balance amount for specific purposes. This authorization or removal of such authorization is generally achieved by a resolution of the Board.

As of September 30, 2023, the District has not adopted a minimum fund balance policy.

NOTE 8: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
 AND GOVERNMENT-WIDE STATEMENTS

Differences between the Governmental Fund Balance Sheet and the Statement of Net Position:

The differences (as reflected in the adjustments column) primarily result from the long-term economic resources focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$8,922,296
Accumulated Depreciation	<u>(2,881,190)</u>
	\$6,041,106

The statement of net position includes as Deferred Outflows of Resources amounts that are permitted to be recognized as part of pension expense over a period of years in the governmental funds.

Deferred Outflows of Resources	\$182,272
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Interest on debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Accrued interest payable	\$215
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The note payable applicable to the District's governmental activities was not due and payable in the current period and accordingly was not reported as fund liabilities. All liabilities – both current and long-term—are reported in the statement of net position.

Due within one year	\$91,235
Due after one year	602,936

Taxes receivable are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred revenue	\$(189,410)
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deferred Inflows of Resources	\$24,417
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BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 8: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
 AND GOVERNMENT-WIDE STATEMENTS – continued

Differences between the Governmental Fund Operating Statement and the Statement of Activities:

The differences (as reflected in the adjustments column) arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the governmental funds.

Some expenses reporting in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Adjustment for Compensated Leave	\$(1,036)
Adjustment for Pension Liability/Asset	84,590
Change in Deferred Inflows/Outflows related to Pension	<u>(109,726)</u>
Total adjustment	\$(26,172)

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$(611,532)
Depreciation Expense	510,381

Repayment of note principal is reported as expenditure in governmental funds. For the district as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Payment of Note Principal	\$(89,009)
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Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued interest was calculated for capital lease obligations.

Change in Accrued Interest	\$(28)
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Because some property taxes will not be collected for several months after the district's fiscal year end, they are not considered as "available" revenues in the governmental funds.

Adjustment for property taxes collected after year-end	\$54,708
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In the statement of activities, only the gain or loss on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the equipment less any accumulated depreciation.

Gain/(Loss) from disposal of assets	\$(7,984)
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NOTE 9: ANNEXATION

The City of Bastrop has the right to annex property within the District which could in the future result in a reduction of the total value of property within the District and therefore a reduction in the total tax revenue to be collected. For the year ending September 30, 2023, the City of Bastrop annexed property located within the District, however, it is not expected to significantly impact future property taxes for the District.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

NOTE 10: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date the financial statements were available to be issued.

NOTE 11: SUBSEQUENT EVENT

Subsequent to year-end, the District purchased Fire Station #2 from the City of Bastrop in the amount of \$550,000 to be paid for by a combination of cash and debt financing.

## Required Supplementary Information

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
BUDGET TO ACTUAL COMPARISON - GENERAL FUND  
FOR THE YEAR ENDING SEPTEMBER 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance Favorable/ (Unfavorable)
	Original	Final		
<b>GENERAL REVENUES</b>				
Ad Valorem Taxes	\$ 2,336,930	\$ 2,336,930	\$ 2,258,251	\$ (78,679)
Penalties and Interest	-	-	40,084	40,084
Sales Tax	500,000	500,000	1,554,849	1,054,849
Grants and Contributions	-	-	69,544	69,544
Fire Rescue	-	-	11,418	11,418
Interest Income	-	-	96,340	96,340
Miscellaneous	-	-	2,684	2,684
Total General Revenues	<u>2,836,930</u>	<u>\$ 2,836,930</u>	<u>\$ 4,033,170</u>	<u>\$ 1,196,240</u>
<b>EXPENDITURES/EXPENSES</b>				
Tax Collector/Appraisal District Fees	95,685	95,685	92,800	2,885
Insurance & Bonds	40,000	40,000	37,774	2,226
Professional Services	36,000	36,000	30,636	5,364
Fire Fighter Wellness Program	8,000	8,000	8,817	(817)
Miscellaneous	39,230	39,230	4,720	34,510
Communications	17,140	17,140	14,828	2,312
Utilities	27,000	27,000	23,311	3,689
Accounting/Bookkeeping	30,000	30,000	47,799	(17,799)
Dues, Subscriptions and Publications	18,000	18,000	56,501	(38,501)
Maintenance and Repairs	239,150	265,039	275,777	(10,738)
Supplies	232,950	251,154	244,358	6,796
Salaries and Related Benefits	1,479,857	1,479,857	1,436,555	43,302
Travel & Training	36,000	44,990	38,225	6,765
Uniforms	18,000	18,000	17,792	208
Pension - Volunteers	1,600	1,600	1,296	304
Capital Outlay	653,825	720,035	611,532	108,503
Debt Service:				
Principal	84,721	84,721	89,009	(4,288)
Interest	21,084	21,084	16,795	4,289
Total expenditures/expenses	<u>\$ 3,078,242</u>	<u>\$ 3,197,535</u>	<u>\$ 3,048,525</u>	<u>\$ 149,010</u>
Excess (Deficiency) of revenues over expenditures	\$ (241,312)	\$ (360,605)	\$ 984,645	\$ 1,345,250
<b>OTHER FINANCING SOURCES</b>				
Total other financing proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Change in fund balance	\$ (241,312)	\$ (360,605)	984,645	
Fund Balance Beginning of the year			<u>1,274,520</u>	
End of the year			<u>\$ 2,259,165</u>	

See Accompanying Notes to the Financial Statements



Bastrop County Emergency Services District No. 2  
Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Total Pension Liability</b>										
Service cost	\$ 85,046	\$ 80,357	\$ 48,943	\$ 26,749	\$ 25,705	\$ 14,836	\$ 18,323	\$ 7,023	\$ 5,822	N/A
Interest on total pension liability	31,118	25,205	16,683	9,093	6,451	3,505	1,766	740	231	N/A
Effect of plan changes	58,201	-	-	33,227	-	-	-	(791)	-	N/A
Effect of assumption changes or inputs	-	4,818	25,593	-	-	(571)	-	49	-	N/A
Effect of economic/demographic (gains) or losses	26,405	(26,988)	12,968	2,437	(583)	7,733	(3,028)	1,125	6	N/A
Benefit payments/refunds of contributions	-	(20,201)	-	-	-	-	(2,828)	-	-	N/A
Net change in total pension liability	200,770	63,191	104,187	71,506	31,573	25,503	14,233	8,146	6,059	N/A
Total pension liability, beginning	324,398	261,207	157,020	85,514	53,941	28,438	14,205	6,059	-	N/A
Total pension liability, ending (a)	\$ 525,168	\$ 324,398	\$ 261,207	\$ 157,020	\$ 85,514	\$ 53,941	\$ 28,438	\$ 14,205	\$ 6,059	N/A
<b>Fiduciary Net Position</b>										
Employer contributions	79,461	46,852	37,719	16,595	11,015	9,764	9,965	7,060	615	N/A
Member contributions	49,923	37,312	29,603	18,349	15,774	13,303	10,452	7,451	650	N/A
Investments income net of investment expenses	(31,439)	56,894	14,768	14,861	(895)	5,514	1,194	(132)	5	N/A
Benefit payments/refunds or contributions	-	(20,201)	-	-	-	-	(2,828)	-	-	N/A
Administrative expenses	(272)	(188)	(165)	(108)	(73)	(43)	(13)	(6)	(1)	N/A
Other	18,507	1,874	2,006	1,216	805	309	823	(1)	-	N/A
Net change in fiduciary net position	116,180	122,543	83,931	50,913	26,626	28,847	19,593	14,372	1,269	N/A
Fiduciary net position, beginning	348,094	225,551	141,620	90,707	64,081	35,234	15,641	1,269	-	N/A
Fiduciary net position, ending (b)	\$ 464,274	\$ 348,094	\$ 225,551	\$ 141,620	\$ 90,707	\$ 64,081	\$ 35,234	\$ 15,641	\$ 1,269	N/A
Net pension liability/(asset), ending = (a) - (b)	\$ 60,894	\$ (23,696)	\$ 35,656	\$ 15,400	\$ (5,193)	\$ (10,146)	\$ (6,802)	\$ (1,442)	\$ 4,784	N/A
Fiduciary net position as a % of total pension liability	88.40%	107.30%	86.35%	90.19%	106.07%	118.81%	123.92%	110.16%	20.96%	N/A
Pensionable covered payroll	\$ 832,043	\$ 621,861	\$ 493,386	\$ 305,816	\$ 262,894	\$ 221,717	\$ 169,203	\$ 124,179	\$ 65,000	N/A
Net pension liability as a % of covered payroll	7.32%	-3.81%	7.23%	5.04%	-1.98%	-4.58%	-4.02%	-1.16%	7.36%	N/A

Bastrop County Emergency Services District No. 2  
Schedule of Employer Contributions

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	**	**	**	**	**
2015	615	615	-	10,833	5.7%
2016	7,053	7,060	(7)	124,179	5.7%
2017	9,678	9,965	(287)	169,203	5.9%
2018	9,578	9,764	(186)	221,717	4.4%
2019	11,015	11,015	-	262,894	4.2%
2020	12,508	16,595	(4,087)	305,816	5.4%
2021	37,719	37,719	-	493,386	7.6%
2022	46,515	46,852	(337)	621,861	7.5%
2023	79,461	79,461	-	832,043	9.6%

See Accompanying Notes to the Financial Statements

Bastrop County Emergency Services District No. 2  
Notes to the Schedule of Employer Contributions  
For the year ending September 30, 2023

Valuation Date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	16.6 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2014: New inflation, mortality and other assumptions were reflected.  2016: New mortality assumptions were reflected.  2018: Net inflation, mortality and other assumptions were reflected.  2021: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule	2014: No changes in plan provisions were reflected in the Schedule.  2015: No changes in plan provisions were reflected in the Schedule.  2016: New Annuity Purchase Rates were reflected for benefits earned after 2017  2017: No changes in plan provisions were reflected in the Schedule  2018: No changes in plan provisions were reflected in the Schedule.  2019: Employer contributions reflect that the current service matching rate was increased to 200% for future benefits.  2020: No changes in plan provisions were reflected in the Schedule.  2021: No changes in plan provisions were reflected in the Schedule.

*\*Only changes effective 2015 and later are shown in the Notes to Schedule.*